

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>CITY OF FREMONT</b>	County <b>NEWAYGO</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>9/28/05</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Brickley DeLong, PLC</b>			
Street Address <b>500 Terrace Plaza, P.O. Box 999</b>		City <b>Muskegon</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49443-0999</b>	Date

City of Fremont  
Newaygo County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended June 30, 2005

City of Fremont

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# City of Fremont

## Management's Discussion and Analysis

This discussion and analysis is intended to serve as an introduction to the City of Fremont's basic financial statements. This report consists of a series of financial statements for the City as of June 30, 2005. The City's basic financial statements are comprised of three components:

1. Governmental-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City operations in more detail than the governmental-wide financial statements.

This report also contains other required supplementary information in addition to the basic financial statements themselves.

### **FINANCIAL HIGHLIGHTS**

- At the close of the fiscal year the City of Fremont had total assets of \$28,473,931 and total liabilities of \$911,738 leaving net assets of \$27,562,193, an increase of 5.4% in the City's overall net assets.
- Of the total \$27,562,193 in net assets, the City may use \$5,309,388 (unrestricted net assets) to meet the ongoing obligations to citizens and creditors.
- Effective July 1, 2004, the City restated its financial statements to record infrastructure acquired or constructed prior to July 1, 2003, as allowed by GASB Statement No. 34. This *restatement* increased the net assets of governmental activities by \$3,822,634 or approximately 36.6%.
- Total revenues, including all program and general revenues, were \$6,683,495, made up of governmental revenues of \$5,160,953 and business-type revenues of \$1,271,027. Revenues for the component units totaled \$270,297.
- Total expenses for all of the City's programs were \$5,231,981. Of that total, the governmental expenses were \$4,052,780 and the business-type expenses were \$956,683. Expenses for component units activities were \$222,518.
- The City was able to maintain the number, type and current levels of City services to its citizens with no increase in its property tax levy, even in the face of a 25.1% cut in state-shared revenues over the past few years and increasing operating costs.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances. The statements are similar to those of a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. The City reports all changes in net assets when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The government activities of the City include general government, public safety, public works, community and economic development, and cultural and recreational activities. The business-type activities of the City include water distribution and sanitary sewer services.

The Statement of Net Assets and the Statement of Activities include not only the City of Fremont itself (known as the primary government), but also discretely presented component units. Component units are separate legal entities for which the City has some level of financial accountability. The City has two component units: the Downtown Development Authority (DDA) and the Local Development Finance Authority (LDFA). The component units exist primarily for the issuance and repayment of debt to finance capital projects in specific commercial and industrial areas of the City.

#### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources, uses and balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major Streets, Local Improvement and Capital Projects funds, which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

### **Proprietary Funds**

The City of Fremont has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and sanitary sewer operations. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Recall that the statement of net assets provides the perspective of the City as a whole. The following table provides a summary of the City's net assets. As of June 30, 2005 the City's net assets from governmental activities totaled \$15,371,404 and \$12,190,789 from business-type activities, for a government-wide net asset total of \$27,562,193.

In examining composition of assets, the reader should note that the amount of governmental activities invested in capital assets (i.e., streets, buildings, furniture and equipment, etc.) are used to provide services to the residents, and are not available to pay salaries or operational expenses or to fund capital projects.

As noted in the Financial Highlights, the City restated governmental activities beginning net assets as of July 1, 2004 with additional infrastructure constructed before July 1, 2003, adding an additional \$3,822,634 in value. This partially accounts for the rise in the capital assets category below. Please see the Capital Assets Administration section for additional discussion of purchases of capital assets.

### NET ASSETS

	Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current assets and other assets	\$ 3,987,003	\$ 4,116,013	\$ 2,842,262	\$ 2,289,821	\$ 6,829,265	\$ 6,405,834
Capital assets	12,252,812	7,595,872	9,391,854	9,617,832	21,644,666	17,213,704
Total assets	16,239,815	11,711,885	12,234,116	11,907,653	28,473,931	23,619,538
<b>Liabilities</b>						
Long-term liabilities outstanding	370,551	659,577	14,893	14,893	385,444	674,470
Other liabilities	497,860	611,711	28,434	16,315	526,294	628,026
Total liabilities	868,411	1,271,288	43,327	31,208	911,738	1,302,496
<b>Net assets</b>						
Invested in capital assets, net of related debt	11,766,267	6,843,387	9,391,854	9,617,832	21,158,121	16,461,219
Restricted	1,094,684	989,009	-	-	1,094,684	989,009
Unrestricted	2,510,453	2,608,201	2,798,935	2,258,613	5,309,388	4,866,814
Total net assets	\$ 15,371,404	\$ 10,440,597	\$ 12,190,789	\$ 11,876,445	\$ 27,562,193	\$ 22,317,042

### City of Fremont's Changes in Net Assets

The results of this year's operations for the City as a whole are reported in the statement of activities, which shows the changes in net assets.

### CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 745,967	\$ 722,597	\$ 1,191,488	\$ 1,160,773	\$ 1,937,455	\$ 1,883,370
Operating grants and contributions	474,931	530,383	-	-	474,931	530,383
Capital grants and contributions	1,297,685	973,193	-	-	1,297,685	973,193
General revenues:						
Property taxes	1,954,685	1,827,415	-	-	1,954,685	1,827,415
Franchise fees	43,189	23,541	-	-	43,189	23,541
Grants and contributions not restricted to specific programs	424,411	430,436	-	-	424,411	430,436
Unrestricted investment earnings	131,502	50,758	66,292	12,041	197,794	62,799
Other	88,583	32,736	13,247	1,219	101,830	33,955
Total revenues	5,160,953	4,591,059	1,271,027	1,174,033	6,413,198	5,765,092
<b>Expenses:</b>						
General government	819,746	747,720	-	-	819,746	747,720
Public safety	1,085,138	1,064,118	-	-	1,085,138	1,064,118
Public works	1,722,535	977,391	-	-	1,722,535	977,391

Community and economic development	\$ 189,810	\$ 96,884	\$ -	\$ -	\$ 189,810	\$ 96,884
Culture and recreation	210,004	261,338	-	-	210,004	261,338
Interest on long-term debt	25,547	44,247	-	-	25,547	44,247
Sewer	-	-	545,223	545,507	545,223	545,507
Water	-	-	411,460	422,062	411,460	422,062
Total expenses	<u>4,052,780</u>	<u>3,191,698</u>	<u>956,683</u>	<u>967,569</u>	<u>5,009,463</u>	<u>4,159,267</u>
<b>Change in net assets</b>	1,108,173	1,399,361	314,344	206,464	1,422,517	1,605,825
Net assets - July 1	10,440,597	9,041,236	11,876,445	11,669,981	22,317,042	20,711,217
Restatement at July 1	<u>3,822,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,822,634</u>	<u>-</u>
<b>Net assets - June 30</b>	<b>\$ <u>15,371,404</u></b>	<b>\$ <u>10,440,597</u></b>	<b>\$ <u>12,190,789</u></b>	<b>\$ <u>11,876,445</u></b>	<b>\$ <u>27,562,193</u></b>	<b>\$ <u>22,317,042</u></b>

### Governmental Activities

- At year-end on June 30, 2005, governmental activities net assets increased by \$1,108,173 (12%).
- Although revenues increased by \$569,894, expenses increased by \$861,082, requiring the use of fund balance reserves from the General Fund.
- Property tax revenues increased \$127,270 (6.9%) despite the negative impact of the limits placed on the City by the "Headlee" and "Proposal A" Amendments to the State Constitution. The City's millage rate remained at 14.0 mills, where it has been for the past seven years.
- Fortunately, interest rates have more than doubled since last year earning the City an additional \$135,000, of which \$80,744 was for governmental activities alone.
- A large increase of \$745,144 in public works expenses is due to depreciation of infrastructure retroactively capitalized as of July 1, 2004, as allowed by GASB 34.

### Business-Type Activities

- At year-end on June 30, 2005, business-type activities net assets increased by \$314,344 or 2.6%.
- Investment earnings gave business-type activities an additional \$66,292 for spending, an increase of \$54,251 from last year.
- Increased net assets enable the City to plan for capital improvements that will be needed in coming years.

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As stated earlier in this Discussion and Analysis, the City of Fremont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.



At the end of fiscal year 2005, the governmental funds reported a combined fund balance of \$3,249,336. Of this number, \$2,618,106 represents the unreserved fund balance, comprised of \$1,256,426 in the General Fund and \$1,361,680 in other governmental funds. It is necessary to further distinguish between unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to advances of \$79,723, perpetual care of \$271,109, debt service of \$25,822 and capital projects of \$254,576.

The General Fund is the chief operating fund of the City. The General Fund pays for administration, public safety, general public works, assessments, elections, legal, recreation, garbage collection, boards and commissions and other minor functions. The General Fund ended the year with a fund balance of \$1,256,426, a \$139,923 decrease from fiscal 2004. The entire fund balance of the General Fund was unreserved. The health of the General Fund may be measured by the ratio of unreserved General Fund balance to annual General Fund expenditures. Unreserved fund balance represents 42% of the General Fund expenditures.

General Fund revenues exceeded expenses by \$148,134 before transfers. After transfers, the net change in fund balance was a decrease of \$139,923. Combined with a June 30, 2004 fund balance of \$1,396,349, the General Fund had a June 30, 2005 balance of \$1,256,426. As shown in Note E of the Notes to the Financial Statements, \$254,120 of the total \$319,120 in transferred funds was used for capital projects.

Although state shared revenues (gas and weight tax, etc.) remained stagnant, fund balances in both Major Streets and Local Streets funds increased. This was due to budgeted projects being delayed several months and the funds appropriated for said projects remaining on account.

The City continues to help fund special assessment projects by the Local Improvement Fund, to be later assessed back to property owners benefiting from the projects.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the governmental financial statement, but in more detail. For the year ended June 30, 2005, net assets of the Sewer Fund decreased by \$102,072 and net assets of the Water Fund increased by \$397,388.

Although the Sewer Fund's net assets decreased due to depreciation expense, the Fund remains healthy as shown on the Statement of Cash Flows. As this statement indicates, sewer operations generated \$108,119 in cash flow, leaving available cash and investments at year end of \$1,193,618.

With anticipation of expanding the City's wastewater irrigation system within a few years, the City will review the current rates, project revenues and analyze the need for any rate adjustments.

High depreciation expense in the Sewer Fund is due primarily to Gerber Products Company's food processing wastewater irrigation system. The City coordinated a Community Development Block Grant (CDBG) through the State of Michigan in 1996-97 to help replace key components of Gerber's existing food production wastewater treatment system. The City continues to own the system but leases it to Gerber, which is responsible for all operation, maintenance, repair and replacement costs.

### **Budget Analysis – General Fund**

At various times throughout any budget year, budget amendments are needed to reflect changing financial conditions and changes to financial policy. The year ending June 30, 2005 was typical.

The most significant of this year's budget amendments were \$100,000 for professional service related to a MI Tax Tribunal (MTT) case regarding Gerber Products Company's filing for property tax assessment reductions, \$36,500 for the Fremont Municipal Airport (FMA) Airpark development and an additional \$22,793 for preparation of new zoning & subdivision codes.

As a result of unexpected changes in revenues and expenditures, the City has variations between budgeted items and actual. Charges for services were higher than budgeted due to higher than anticipated refuse fees and grave openings. Other revenue was higher than budgeted due to higher than anticipated insurance reimbursements. Employee fringe benefits and other items were lower than budgeted due to cost cutting measures such as increasing prescription co-pays.

### **Capital Asset Administration**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005 totaled \$21,644,666 (net of accumulated depreciation.) Investments in capital assets include land and land improvements, buildings and improvements, infrastructure (including utility systems), furniture and equipment.

As noted in the Financial Highlights, the City restated governmental activities beginning net assets with additional infrastructure constructed before July 1, 2003, adding an additional \$3,822,634 in value.

Major projects included refurbishment of the east/west runway at the Airport, reconstruction of Hillcrest Drive, finishing Phase 1a of the Town & Country Path and watermain installation along West Main Street. Additional information on capital assets can be found in Note D of the Notes to the Financial Statements.

### **Debt Administration**

As of June 30, 2005 the City had outstanding long-term liabilities of \$724,989 consisting of general obligation bonds, installment purchase agreements and compensated absences. No new debt was issued this year.

In addition to the City's debt, the Local Development Finance Authority (LDFA) had debt outstanding totaling \$55,000. Debt issued by component units is typically secured by the full faith and credit of the City and therefore is an important consideration in assessing the City's overall fiscal health.

All of the City's existing long-term liabilities, other than compensated absences, are scheduled to be paid off within the next two years.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The general operating budget for next year is based on the continuation of the existing 14-mill property tax levy from this past year. The City's Charter permits a maximum tax levy of 20 mills for general operating purposes, but the City has been able to keep its levy at this relatively low level for the last seven years. If needed, an additional 6 mills (less a small Headlee millage rollback) could generate an additional estimated \$800,000 for general operating purposes.

Property tax revenue increases are greatly influenced by the 1994 Amendment to the State Constitution commonly referred to as "Proposal A." The statewide tax reform amendment limits the growth in taxable value on any individual property to the lesser of inflation or five percent (5%). Because some properties may increase in value by less than inflation, the mathematical result of this is that the total taxable value may grow at a rate less than inflation.

Again this year, employee co-pays on prescriptions and physician office visit benefits were increased in an effort to control increasing costs of health care benefits for the City's full-time employees.

The City has responded to the economic downturn and pressure on revenues by trying to keep program expenses constant and increasing some user fees. The budget for 2005/2006 reflects expenditure reductions in many departments including capital spending.

In an effort to maintain spending, the General Fund budget for next year increased by only \$53,000 over actual expenditures for the year ended June 30, 2005. With many needed construction projects planned, a transfer of an additional \$173,730 from the fund balance of the General Fund was needed, whereas budgeted expenditures would have exceeded budgeted revenues. The General Fund budget also includes a transfer to the Local Street Fund in the amount of \$170,625 for 50% of Local Street Fund construction and \$169,250 to the Capital Projects Fund for airport, bridge, sidewalk and irrigation costs related to other major projects.

For the City's business-type activities, the budget for next year holds water rates constant, with a potential increase in sewer rates. The Water Fund budget includes \$210,000 in capital construction and the Sewer Fund budget includes \$105,000 in capital construction.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, residents, voters, customers and investors with a general overview of the City's finances as well as to depict the City's accountability for the money it receives and spends. If you have questions about this report or need additional information, please contact the Finance Director/City Clerk's Office at the City of Fremont, 101 E. Main Street, Fremont, MI 49412 or by phone at 231-924-2101 or by email at [tblake@cityoffremont.net](mailto:tblake@cityoffremont.net).

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

September 28, 2005

City Council  
City of Fremont  
Fremont, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fremont as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fremont's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fremont, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated September 28, 2005, on our consideration of the City of Fremont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

BRICKLEY DELONG

City Council  
September 28, 2005  
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The managements' discussion and analysis and budgetary comparison information on pages i through viii and 32 through 34, are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fremont's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Brickley DeLong, PLC*

City of Fremont  
STATEMENT OF NET ASSETS  
June 30, 2005

ASSETS

	Governmental activities	Business-type activities	Total	Component units
CURRENT ASSETS				
Cash and investments	\$ 3,569,570	\$ 2,455,970	\$ 6,025,540	\$ 230,535
Receivables	82,754	367,264	450,018	-
Internal balances	(19,028)	19,028	-	-
Due from other governmental units	319,877	-	319,877	-
Total current assets	3,953,173	2,842,262	6,795,435	230,535
NONCURRENT ASSETS				
Capital assets, net				
Nondepreciable	3,210,455	240,698	3,451,153	-
Depreciable	9,042,357	9,151,156	18,193,513	-
Special assessments receivable	33,830	-	33,830	-
Total noncurrent assets	12,286,642	9,391,854	21,678,496	-
Total assets	16,239,815	12,234,116	28,473,931	230,535

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable and accrued liabilities	128,810	16,559	145,369	-
Deferred revenue	41,380	-	41,380	-
Bonds, capital leases and contracts, due within one year	243,000	-	243,000	55,000
Compensated absences, due within one year	84,670	11,875	96,545	-
Total current liabilities	497,860	28,434	526,294	55,000
NONCURRENT LIABILITIES				
Bonds, capital leases and contracts, less amounts due within one year	243,545	-	243,545	-
Compensated absences, less amounts due within one year	127,006	14,893	141,899	-
Total noncurrent liabilities	370,551	14,893	385,444	-
Total liabilities	868,411	43,327	911,738	55,000
NET ASSETS				
Invested in capital assets, net of related debt	11,766,267	9,391,854	21,158,121	-
Restricted for:				
Streets	797,753	-	797,753	-
Perpetual care - nonexpendable	271,109	-	271,109	-
Debt service	25,822	-	25,822	-
Unrestricted	2,510,453	2,798,935	5,309,388	175,535
Total net assets	\$ 15,371,404	\$ 12,190,789	\$ 27,562,193	\$ 175,535

The accompanying notes are an integral part of this statement.

City of Fremont  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2005

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government			Component units
					Governmental activities	Business-type activities	Total	
Governmental activities								
General government	\$ 819,746	\$ 107,823	\$ -	\$ 201,512	\$ (510,411)	\$ -	\$ (510,411)	\$ -
Public safety	1,085,138	215,774	12,507	9,258	(847,599)	-	(847,599)	-
Public works	1,722,535	325,643	438,631	1,086,915	128,654	-	128,654	-
Community and economic development	189,810	-	-	-	(189,810)	-	(189,810)	-
Culture and recreation	210,004	96,727	23,793	-	(89,484)	-	(89,484)	-
Interest on long-term debt	25,547	-	-	-	(25,547)	-	(25,547)	-
Total governmental activities	4,052,780	745,967	474,931	1,297,685	(1,534,197)	-	(1,534,197)	-
Business-type activities								
Sewer	545,223	413,258	-	-	-	(131,965)	(131,965)	-
Water	411,460	778,230	-	-	-	366,770	366,770	-
Total business-type activities	956,683	1,191,488	-	-	-	234,805	234,805	-
Total primary government	\$ 5,009,463	\$ 1,937,455	\$ 474,931	\$ 1,297,685	(1,534,197)	234,805	(1,299,392)	-
Component units								
Downtown Development Authority	\$ 217,393	\$ -	\$ -	\$ -	-	-	-	(217,393)
Local Development Finance Authority	5,125	-	-	-	-	-	-	(5,125)
Total component units	\$ 222,518	\$ -	\$ -	\$ -	-	-	-	(222,518)
General revenues								
Property taxes					1,954,685	-	1,954,685	263,238
Franchise fees					43,189	-	43,189	-
Grants and contributions not restricted to specific programs					424,411	-	424,411	-
Unrestricted investment earnings					131,502	66,292	197,794	7,059
Miscellaneous					53,337	13,247	66,584	-
Gain (loss) on sale of capital asset					35,246	-	35,246	-
Total general revenues and special items					2,642,370	79,539	2,721,909	270,297
Change in net assets					1,108,173	314,344	1,422,517	47,779
Net assets at July 1, 2004, restated					14,263,231	11,876,445	26,139,676	127,756
Net assets at June 30, 2005					\$ 15,371,404	\$ 12,190,789	\$ 27,562,193	\$ 175,535

The accompanying notes are an integral part of this statement.

City of Fremont  
**BALANCE SHEET**  
Governmental Funds  
June 30, 2005

	General Fund	Major Streets	Local Improvement	Capital Projects	Other governmental funds	Total governmental funds
<b>ASSETS</b>						
Cash and investments	\$ 1,284,284	\$ 452,127	\$ 667,408	\$ 147,591	\$ 472,838	\$ 3,024,248
Receivables						
Accounts	74,879	-	-	-	-	74,879
Special assessments	-	-	41,705	-	-	41,705
Advances to other funds	-	-	79,723	-	-	79,723
Due from other governmental units	135,442	39,258	-	115,525	29,652	319,877
Total assets	<u>\$ 1,494,605</u>	<u>\$ 491,385</u>	<u>\$ 788,836</u>	<u>\$ 263,116</u>	<u>\$ 502,490</u>	<u>\$ 3,540,432</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 65,917	\$ -	\$ -	\$ 8,540	\$ -	\$ 74,457
Accrued liabilities	51,159	1,533	-	-	1,533	54,225
Advances from other funds	79,723	-	-	-	-	79,723
Deferred revenue	41,380	-	41,311	-	-	82,691
Total liabilities	238,179	1,533	41,311	8,540	1,533	291,096
Fund balances						
Reserved for:						
Advances	-	-	79,723	-	-	79,723
Perpetual care	-	-	-	-	271,109	271,109
Debt service	-	-	-	-	25,822	25,822
Capital projects	-	-	-	254,576	-	254,576
Unreserved						
Undesignated						
General Fund	1,256,426	-	-	-	-	1,256,426
Special revenue funds	-	489,852	667,802	-	204,026	1,361,680
Total fund balances	1,256,426	489,852	747,525	254,576	500,957	3,249,336
Total liabilities and fund balances	<u>\$ 1,494,605</u>	<u>\$ 491,385</u>	<u>\$ 788,836</u>	<u>\$ 263,116</u>	<u>\$ 502,490</u>	<u>\$ 3,540,432</u>

The accompanying notes are an integral part of this statement.



City of Fremont  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS**  
 June 30, 2005

Total fund balance—governmental funds		\$ 3,249,336
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Amounts reported for governmental activities in the Statement of Net Assets  
 are different because:

Capital assets used in governmental activities are not financial resources and  
 are not reported in the governmental funds.

Cost of capital assets	\$ 18,247,194	
Accumulated depreciation	<u>(6,897,299)</u>	11,349,895

Long-term liabilities in governmental activities are not due and payable in the  
 current period and are not reported in the governmental funds.

Bonds and contracts payable	(400,000)	
Compensated absences	<u>(211,676)</u>	(611,676)

Special assessment revenue is not recognized until it is receivable in the current  
 period and, therefore, is shown as deferred revenue in the governmental funds.

41,311

Internal service funds are used by management to charge the costs of certain activities to  
 individual funds. The assets and liabilities of the internal service funds are reported with  
 governmental activities.

1,342,538

Net assets of governmental activities in the Statement of Net Assets

\$ 15,371,404

The accompanying notes are an integral part of this statement.

City of Fremont  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended June 30, 2005

	General Fund	Major Streets Fund	Local Improvement Fund	Capital Projects Fund	Other governmental funds	Total governmental funds
<b>REVENUES</b>						
Property taxes	\$ 1,860,859	\$ -	\$ -	\$ -	\$ -	\$ 1,860,859
Licenses and permits	45,959	-	-	-	-	45,959
Intergovernmental revenues						
Federal	9,258	-	-	1,028,500	-	1,037,758
State	429,792	286,053	-	58,415	102,870	877,130
Local	-	-	-	-	225,305	225,305
Charges for services	476,421	-	-	-	15,475	491,896
Fines and forfeitures	42,220	-	-	-	-	42,220
Investment earnings	81,462	14,000	24,529	4,158	14,924	139,073
Other	221,208	81,707	74,417	31,506	-	408,838
Total revenues	<u>3,167,179</u>	<u>381,760</u>	<u>98,946</u>	<u>1,122,579</u>	<u>358,574</u>	<u>5,129,038</u>
<b>EXPENDITURES</b>						
Current						
General government	611,293	-	-	-	-	611,293
Public safety	800,170	-	-	-	-	800,170
Public works	533,120	159,518	-	294,061	81,201	1,067,900
Community and economic development	156,462	-	-	-	-	156,462
Culture and recreation	118,219	-	-	2,739	-	120,958
Other governmental functions	591,602	-	-	-	-	591,602
Debt service						
Principal	23,775	-	-	-	175,000	198,775
Interest and fees	5,718	-	-	-	26,063	31,781
Capital outlay	178,686	-	-	1,281,923	-	1,460,609
Total expenditures	<u>3,019,045</u>	<u>159,518</u>	<u>-</u>	<u>1,578,723</u>	<u>282,264</u>	<u>5,039,550</u>
Excess of revenues over (under) expenditures	148,134	222,242	98,946	(456,144)	76,310	89,488
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	31,063	-	-	539,930	123,750	694,743
Transfers out	(319,120)	(148,494)	(66,066)	-	(161,063)	(694,743)
Total other financing sources (uses)	<u>(288,057)</u>	<u>(148,494)</u>	<u>(66,066)</u>	<u>539,930</u>	<u>(37,313)</u>	<u>-</u>
Net change in fund balances	(139,923)	73,748	32,880	83,786	38,997	89,488
Fund balances at July 1, 2004	<u>1,396,349</u>	<u>416,104</u>	<u>714,645</u>	<u>170,790</u>	<u>461,960</u>	<u>3,159,848</u>
Fund balances at June 30, 2005	<u>\$ 1,256,426</u>	<u>\$ 489,852</u>	<u>\$ 747,525</u>	<u>\$ 254,576</u>	<u>\$ 500,957</u>	<u>\$ 3,249,336</u>

The accompanying notes are an integral part of this statement.

City of Fremont  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2005

Net change in fund balances—total governmental funds	\$	89,488
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (691,113)	
Capital outlay	<u>1,410,521</u>	719,408

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		198,775
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Accrued interest on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.		5,200
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Increases in the compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		(19,358)
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Governmental funds recognize special assessments as revenue as they become current; however, they are recognized in full when levied in the Statement of Net Assets.		(6,249)
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net change of the internal service funds is reported with governmental activities.		<u>120,909</u>
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Change in net assets of governmental activities	\$	<u><u>1,108,173</u></u>
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The accompanying notes are an integral part of this statement.

City of Fremont  
STATEMENT OF NET ASSETS  
Proprietary Funds  
June 30, 2005

ASSETS

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
CURRENT ASSETS				
Cash and investments	\$ 1,193,618	\$ 1,262,352	\$ 2,455,970	\$ 545,322
Accounts receivable	127,101	240,163	367,264	-
Total current assets	1,320,719	1,502,515	2,823,234	545,322
NONCURRENT ASSETS				
Capital assets, net				
Utility systems	8,987,492	4,987,350	13,974,842	-
Machinery and equipment	100,418	35,286	135,704	2,135,142
Land	228,972	11,726	240,698	-
Construction in progress	-	-	-	117,338
Less accumulated depreciation	(3,523,327)	(1,436,063)	(4,959,390)	(1,349,563)
Total noncurrent assets	5,793,555	3,598,299	9,391,854	902,917
Total assets	7,114,274	5,100,814	12,215,088	1,448,239
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	5,393	1,662	7,055	-
Accrued liabilities	4,842	4,662	9,504	128
Bonds, capital leases and contracts, due within one year	-	-	-	43,000
Compensated absences, due within one year	2,925	8,950	11,875	-
Total current liabilities	13,160	15,274	28,434	43,128
NONCURRENT LIABILITIES				
Bonds, capital leases and contracts, less amounts due within one year	-	-	-	43,545
Compensated absences, less amounts due within one year	2,806	12,087	14,893	-
Total liabilities	15,966	27,361	43,327	86,673
NET ASSETS				
Invested in capital assets, net of related debt	5,793,555	3,598,299	9,391,854	816,372
Unrestricted	1,304,753	1,475,154	2,779,907	545,194
Total net assets	\$ 7,098,308	\$ 5,073,453	12,171,761	\$ 1,361,566
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			19,028	
Total net assets per government-wide financial statements			\$ 12,190,789	

The accompanying notes are an integral part of this statement.

City of Fremont  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
 Proprietary Funds  
 For the year ended June 30, 2005

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
REVENUES				
Charges for services	\$ 405,552	\$ 772,218	\$ 1,177,770	\$ 387,778
Other	17,510	5,955	23,465	317
Total operating revenues	423,062	778,173	1,201,235	388,095
OPERATING EXPENSES				
Administration	66,837	69,826	136,663	24,921
Operations	249,709	269,485	519,194	92,849
Depreciation	242,013	77,841	319,854	169,586
Total operating expenses	558,559	417,152	975,711	287,356
Operating income (loss)	(135,497)	361,021	225,524	100,739
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	33,425	32,867	66,292	16,561
Connection fees	-	3,500	3,500	-
Interest expense	-	-	-	(3,429)
Total nonoperating revenues (expenses)	33,425	36,367	69,792	13,132
Income (loss) before gain on sale	(102,072)	397,388	295,316	113,871
Gain on sale of capital assets	-	-	-	26,066
Change in net assets	(102,072)	397,388	295,316	139,937
Total net assets at July 1, 2004	7,200,380	4,676,065		1,221,629
Total net assets at June 30, 2005	\$ 7,098,308	\$ 5,073,453		\$ 1,361,566
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds			19,028	
Change in business-type activities in net assets per government-wide financial statements			\$ 314,344	

The accompanying notes are an integral part of this statement.

City of Fremont  
**STATEMENT OF CASH FLOWS**  
Proprietary Funds  
For the year ended June 30, 2005

	Enterprise Funds			Internal Service Fund
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 413,561	\$ 710,710	\$ 1,124,271	\$ -
Receipts from interfund services provided	1,971	14,419	16,390	388,095
Payments to suppliers	(93,883)	(146,637)	(240,520)	(92,849)
Payments to employees	(161,872)	(167,641)	(329,513)	(24,793)
Internal activity—payments to other funds	(51,658)	(22,047)	(73,705)	-
Net cash provided by operating activities	108,119	388,804	496,923	270,453
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection fees	-	3,500	3,500	-
Purchases of capital assets	-	(93,876)	(93,876)	(284,484)
Principal and interest paid on capital debt	-	-	-	(70,593)
Proceeds from sale of capital assets	-	-	-	26,066
Net cash used for capital and related financing activities	-	(90,376)	(90,376)	(329,011)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	33,425	32,867	66,292	16,561
Net increase (decrease) in cash and investments	141,544	331,295	472,839	(41,997)
Cash and investments at July 1, 2004	1,052,074	931,057	1,983,131	587,319
Cash and investments at June 30, 2005	<u>\$ 1,193,618</u>	<u>\$ 1,262,352</u>	<u>\$ 2,455,970</u>	<u>\$ 545,322</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (135,497)	\$ 361,021	\$ 225,524	\$ 100,739
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	242,013	77,841	319,854	169,586
Change in assets and liabilities				
Receivables, net	(7,530)	(53,044)	(60,574)	-
Accounts and other payables	4,292	(1,677)	2,615	-
Accrued liabilities	4,841	4,663	9,504	128
Net cash provided by operating activities	<u>\$ 108,119</u>	<u>\$ 388,804</u>	<u>\$ 496,923</u>	<u>\$ 270,453</u>

The accompanying notes are an integral part of this statement.

City of Fremont  
**STATEMENT OF FIDUCIARY NET ASSETS**  
Fiduciary Funds  
June 30, 2005

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$      14,087
Receivables	691
Due from other governmental units	<u>              300</u>
Total assets	<u><u>\$      15,078</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$      13,417
Due to other governmental units	<u>          1,661</u>
Total liabilities	<u><u>\$      15,078</u></u>

The accompanying notes are an integral part of this statement.

City of Fremont  
**STATEMENT OF NET ASSETS**  
Discretely Presented Component Units  
June 30, 2005

ASSETS

	Downtown Development Authority	Local Development Finance Authority	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
CURRENT ASSETS			
Cash and investments	\$       90,362	\$       140,173	\$    230,535

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Bonds, capital leases and contracts, due within one year	<u>          -          </u>	<u>          55,000        </u>	<u>          55,000        </u>
NET ASSETS			
Unrestricted	\$ <u>90,362</u>	\$ <u>85,173</u>	\$ <u>175,535</u>

The accompanying notes are an integral part of this statement.



City of Fremont  
**STATEMENT OF ACTIVITIES**  
Discretely Presented Component Units  
For the year ended June 30, 2005

		Net (Expense) Revenue and Changes in Net Assets		
			Local Development Finance Authority	Total
<i>Functions/Programs</i>	<u>Expenses</u>	<u>Downtown Development Authority</u>		
Downtown Development Authority				
Community and economic development	\$ 217,393	\$ (217,393)	\$ -	\$ (217,393)
Local Development Finance Authority				
Interest on long-term debt	<u>5,125</u>	<u>-</u>	<u>(5,125)</u>	<u>(5,125)</u>
Total discretely presented component units	\$ <u><u>222,518</u></u>	(217,393)	(5,125)	(222,518)
General revenues				
Property taxes		201,512	61,726	263,238
Unrestricted investment earnings		<u>2,677</u>	<u>4,382</u>	<u>7,059</u>
Total general revenues		<u>204,189</u>	<u>66,108</u>	<u>270,297</u>
Change in net assets		(13,204)	60,983	47,779
Net assets at July 1, 2004		<u>103,566</u>	<u>24,190</u>	<u>127,756</u>
Net assets at June 30, 2005		\$ <u><u>90,362</u></u>	\$ <u><u>85,173</u></u>	\$ <u><u>175,535</u></u>

The accompanying notes are an integral part of this statement.

City of Fremont  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Fremont (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

The City implemented GASB 34 Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38 on July 1, 2003. A significant change required by these statements was the inclusion of the City's infrastructure on new full accrual government-wide financial statements. These statements allowed the City to record infrastructure acquired or constructed prior to July 1, 2003 within four years of implementing the statements. Effective July 1, 2004, the City recorded this infrastructure.

The beginning net assets restated for the effects of prior year infrastructure are as follows:

Net assets at July 1, 2004—governmental funds	\$ 10,440,597
Infrastructure acquired or constructed prior to July 1, 2003, net	<u>3,822,634</u>
Restated net assets at July 1, 2004	<u>\$ 14,263,231</u>

**1. Report Entity**

The City of Fremont is a municipal corporation governed by a five-member council headed by an elected mayor. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The component units discussed below are included in the City's reporting entity because of their operational and financial relationship with the City.

***Blended component units***

The blended component unit, although a legally separate entity, is, in substance, part of City operations and data from this unit is combined with data from the primary government. The blended component unit has a June 30 year end.

- **City of Fremont Building Authority**

The Building Authority is appointed by the City Council and its activity is dependent on City Council actions. The Building Authority is reported as if it were part of the primary government because its sole purpose is to finance the construction of the City's public buildings. The Authority's activity is reported in the financial statements as a debt service fund.

City of Fremont  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**1. Report Entity—Continued**

***Discretely presented component units***

The discretely presented component units' column in the combined financial statements includes the financial data of the City's discretely presented component units. These units are reported in a separate column to emphasize that they are legally separate from the City. The discretely presented component units have a June 30 year end.

- **City of Fremont Downtown Development Authority (DDA)**

The Authority's sole purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the DDA district. Members of the DDA are appointed by the City, and the Authority is fiscally dependent on the City since the Council approves the DDA budget and must approve any debt issuance. The DDA is presented as a governmental fund type.

- **City of Fremont Local Development Financing Authority (LDFA)**

The Authority's sole purpose is the collection of tax increment revenues, the issuance and repayment of debt and construction of public facilities in the LDFA district to promote and facilitate economic growth in the City. Members of the LDFA are appointed by the City and the Authority is fiscally dependent on the City since the Council approves the LDFA budget and must approve any debt issuance. The LDFA is presented as a governmental fund type.

Separate financial statements for the individual component units have not been issued.

**2. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund is used to account for gas and weight tax allocations to the City by the Michigan Department of Transportation for construction and maintenance of major streets within the City.

The Local Improvement Fund is used to account for amounts collected and receivable in conjunction with various special assessments for several City construction projects.

The Capital Projects Fund is used to account for the expenditure of the City's funds for major capital projects.

The City reports the following two major proprietary funds:

The Sewer Fund accounts for user charges, operating expenses and debt service of the City's sewer system.

The Water Fund accounts for user charges, operating expenses and debt service of the City's water system.

City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**4. Assets, Liabilities and Net Assets or Equity**

**a. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity.

City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**a. Deposits and Investments—Continued**

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component unit's cash and investments are maintained within the City's investment pool.

**b. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property for the ad valorem role of the City totaled approximately \$122,869,000 of which approximately \$2,253,000 was captured by the DDA and approximately \$1,176,000 was captured by the LDFA. The ad valorem taxes levied consisted of 14 mills for the general operations of the City. The general operations levy is shown in the General Fund with captured amounts shown in the DDA and LDFA component units.

City of Fremont  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**c. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-50
Infrastructure	20
Utility systems	40-67
Vehicles and equipment	5-30
Land improvements	20

**d. Compensated Absences**

City employees are granted vacation and sick leave. The City follows the accounting and reporting principles outlined in GASB 16, with regards to employees' vacation and sick leave. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. A liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, a liability for these amounts is reported in the governmental funds only for employee termination as of year end while the proprietary funds report the liability as it is incurred.

City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**e. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**f. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**g. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**1. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the third Monday of May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted at the City Hall to obtain taxpayer comments.
- c. Not later than the second regular meeting in June, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Council.

The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplemental budgetary appropriations throughout the year.



City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued**

**2. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2005, expenditures exceeded appropriations in the following funds and departments.

	<u>Amended budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Building and grounds	\$ 92,500	\$ 104,404	\$ 11,904
Fire department	221,700	235,897	14,197
Airport operations	36,800	45,760	8,960

**NOTE C—DEPOSITS AND INVESTMENTS**

As of June 30, 2005, the City had the following investments:

<b>Investment Type</b>	<u>Fair value</u>	<u>Weighted average maturity (Years)</u>	<u>Standard &amp; Poor's Rating</u>	<u>Percent</u>
Money market funds	\$ 135,244	.09	AAA	4.42%
External investment pools	1,207,965	.08	not rated	39.48
Negotiable certificates of deposit	1,094,351	2.43	not rated	35.76
Mortgage backed securities	<u>622,344</u>	<u>7.13</u>	AAA	<u>20.34</u>
Total fair value	<u>\$ 3,059,904</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>2.35</u>		

The City voluntarily invests certain excess funds in external investment pools (Pools). The fair value of the City's investments is the same as the value of the Pools. Although the investments and holdings within the Pools fall within Public Act 20, the Pools are not regulated nor are they registered with the SEC.

**Interest rate risk.** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The City's investment policy does not permit any investments in commercial paper and corporate bonds.

**Concentration of credit risk.** The City does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the City's investments are in mortgage-backed securities issued by the Federal Home Loan Bank and the Federal Home Loan Mortgage Corporation and negotiable certificates of deposit issued by Standard Federal Bank. These investments are 11.94 percent, 8.40 percent and 11.50 percent, respectively, of the City's investments.

City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Custodial credit risk - deposits.** The City does not have a custodial credit risk policy for deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2005, \$2,828,007 of the City's bank balance of \$3,372,991 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The City does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The City is not authorized to invest in investments which have this type of risk.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 2,795,180	\$ 297,937	\$ -	\$ 3,093,117
Construction in progress	<u>875,749</u>	<u>1,242,041</u>	<u>2,000,452</u>	<u>117,338</u>
Total capital assets, not being depreciated	3,670,929	1,539,978	2,000,452	3,210,455
<b>Capital assets, being depreciated:</b>				
Land improvements	277,930	-	-	277,930
Buildings and improvements	3,460,945	-	-	3,460,945
Infrastructure	8,812,538	1,974,573	-	10,787,111
Vehicles and equipment	<u>2,671,180</u>	<u>180,906</u>	<u>88,853</u>	<u>2,763,233</u>
Total capital assets being depreciated	15,222,593	2,155,479	88,853	17,289,219
Less accumulated depreciation for:				
Land improvements	98,641	13,184	-	111,825
Buildings and improvements	1,581,547	103,297	-	1,684,844
Infrastructure	4,377,933	520,171	-	4,898,104
Vehicles and equipment	<u>1,416,895</u>	<u>224,047</u>	<u>88,853</u>	<u>1,552,089</u>
Total accumulated depreciation	<u>7,475,016</u>	<u>860,699</u>	<u>88,853</u>	<u>8,246,862</u>
Total capital assets, being depreciated, net	<u>7,747,577</u>	<u>1,294,780</u>	<u>-</u>	<u>9,042,357</u>
Capital assets, net	<u>\$11,418,506</u>	<u>\$ 2,834,758</u>	<u>\$ 2,000,452</u>	<u>\$12,252,812</u>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 240,698	\$ -	\$ -	\$ 240,698
Construction in progress	<u>5,816</u>	<u>-</u>	<u>5,816</u>	<u>-</u>
Total capital assets, not being depreciated	246,514	-	5,816	240,698

City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE D—CAPITAL ASSETS—Continued**

	Balance July 1, <u>2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2005</u>
<b>Business-type activities:—Continued</b>				
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	3,456,339	-	-	3,456,339
Utility systems	10,418,811	99,692	-	10,518,503
Equipment	<u>135,704</u>	<u>-</u>	<u>-</u>	<u>135,704</u>
Total capital assets, being depreciated	14,010,854	99,692	-	14,110,546
Less accumulated depreciation for:				
Buildings and improvements	2,589,351	85,808	-	2,675,159
Utility systems	1,972,357	216,351	-	2,188,708
Equipment	<u>77,828</u>	<u>17,695</u>	<u>-</u>	<u>95,523</u>
Total accumulated depreciated	4,639,536	319,854	-	4,959,390
Total capital assets, being depreciated, net	<u>9,371,318</u>	<u>(220,162)</u>	<u>-</u>	<u>9,151,156</u>
Capital assets, net	\$ <u>9,617,832</u>	\$ <u>(220,162)</u>	\$ <u>5,816</u>	\$ <u>9,391,854</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 85,451
Public safety	25,635
Public works	511,491
Culture and recreation	68,536
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	<u>169,586</u>
	\$ <u>860,699</u>
<b>Business-type activities:</b>	
Sewer	\$ 242,013
Water	<u>77,841</u>
	\$ <u>319,854</u>

**Construction commitments:**

At June 30, 2005, the City had entered into various agreements for construction projects. Below is a summary of those agreements:

<u>Fund</u>	<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining</u>
Equipment	Pumper/engine emergency vehicle	\$ 117,338	\$ 166,517
Capital Projects	Street resurfacing	<u>-</u>	<u>200,000</u>
		\$ <u>117,338</u>	\$ <u>366,517</u>

City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE E—INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

*Advances to/from other funds:*

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Local Improvement Fund	\$ 79,723	Operational loan

	Transfers in				
	General Fund	Capital Projects Fund	Nonmajor governmental funds	Total	Purpose
<i>Transfers out:</i>					
General Fund	\$ -	\$ 254,120	\$ 65,000	\$ 319,120	Operations and capital projects
Major Streets Fund	-	89,744	58,750	148,494	Operations and capital projects
Local Improvement Fund	-	66,066	-	66,066	Capital projects
Nonmajor governmental funds	<u>31,063</u>	<u>130,000</u>	<u>-</u>	<u>161,063</u>	Operations and capital projects
	<u>\$ 31,063</u>	<u>\$ 539,930</u>	<u>\$ 123,750</u>	<u>\$ 694,743</u>	

**NOTE F—LEASES**

The City leases land, vehicles and equipment under noncancelable operating leases. Total costs for such leases were approximately \$6,300 for the year ended June 30, 2005. The future minimum lease payments for these leases are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2006	\$ 5,690
2007	5,753
2008	2,959
2009	<u>2,400</u>
	<u>\$ 16,802</u>

City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE F—LEASES—Continued**

The City also received approximately \$18,500 for the year ended June 30, 2005 from noncancelable operating leases for land use and hanger rentals which has been recorded as rental income. The future minimum rental income for these leases is as follows:

Year ending June 30	Amount
2006	\$ 18,204
2007	18,204
2008	5,148
2009	846
2010	846
2011-2015	4,230
2016-2020	4,230
2021-2025	4,230
2026-2030	4,230
2031-2034	<u>3,384</u>
	<u>\$ 63,552</u>

**NOTE G—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the City for the year ended June 30, 2005.

	Balance July 1, <u>2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2005</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 575,000	\$ -	\$ 175,000	\$ 400,000	\$ 200,000
Installment purchase agreements	177,484	-	90,939	86,545	43,000
Compensated absences	<u>192,318</u>	<u>98,850</u>	<u>79,492</u>	<u>211,676</u>	<u>84,670</u>
Governmental activities long-term liabilities	<u>\$ 944,802</u>	<u>\$ 98,850</u>	<u>\$ 345,431</u>	<u>\$ 698,221</u>	<u>\$ 327,670</u>
<b>Business-type activities:</b>					
Compensated absences	<u>\$ 26,768</u>	<u>\$ 19,217</u>	<u>\$ 19,217</u>	<u>\$ 26,768</u>	<u>\$ 11,875</u>
<b>Local Development Finance Authority:</b>					
General obligation bonds	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 55,000</u>

City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE G—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

	Balance June 30, 2005
<b>Governmental activities:</b>	
<b>General obligations bonds:</b>	
\$2,350,000 -1992 Building Authority Revenue Bonds, due in annual installments of \$200,000 through June 2007, plus interest at 4.00%	\$ 400,000
\$169,000 – 2003 Installment sales contract due in annual installments of \$44,923 including interest at 2.50% through June 2007	86,545
	486,545
Compensated absences	211,676
	\$ 698,221
<b>Local Development Finance Authority:</b>	
\$855,000 - 1993 General Obligation Limited Tax Bonds; final payment of \$55,000 due April 2006 interest at 5.8%	\$ 55,000

All bonds and loans payable are backed by the full faith and credit of the City.

The City was in compliance in all material respects with all various bond indentures at June 30, 2005.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2005 follows:

Year ending <u>June 30</u>	Governmental Activities		Local Development Finance Authority	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 243,000	\$ 18,165	\$ 55,000	\$ 3,190
2007	<u>243,545</u>	<u>9,096</u>	-	-
	<u>\$ 486,545</u>	<u>\$ 27,261</u>	<u>\$ 55,000</u>	<u>\$ 3,190</u>

City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE H—OTHER INFORMATION**

**1. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages liability and property risk by participating in the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**2. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE I—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**1. Pension Plan**

*Plan Description.* The City of Fremont is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the City of Fremont. A copy of the complete financial report and required supplemental information can be obtained by writing to:

City of Fremont  
101 E. Main Street  
Fremont, MI 49412

*Funding Policy.* Plan members are not required to contribute to the plan. The City is required to contribute at an actuarially-determined rate depending upon position from 13.47 to 19.82 percent of covered wages.

*Annual Pension Cost.* For the year ended June 30, 2005, the City's annual pension cost was approximately \$223,000 which the City contributed. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

**Three-Year Trend Information**

<u>Year ending</u>	<u>Approximate Annual Pension Cost (APC)</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$196,000	100%	\$ -
6/30/04	196,000	100	-
6/30/05	223,000	100	-

**REQUIRED SUPPLEMENTARY INFORMATION**

*Schedule of Funding Progress*

(Dollar amounts in thousands)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
12/31/02	\$4,243	\$5,666	\$(1,423)	75%	\$1,198	119%
12/31/03	4,547	6,102	(1,555)	75	1,217	128
12/31/04	4,815	6,592	(1,777)	73	1,255	142



City of Fremont  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2005

**NOTE J—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 14 percent of General Fund revenues.

The City's General, Water and Sewer funds have a significant economic dependence on a local corporation. During the year ended June 30, 2005, the corporation's billings for property taxes approximated 20 percent of total property taxes in the General Fund and the corporation's billings for utilities approximated 62 and 9 percent of total billings in the Water Fund and Sewer Fund, respectively.

## **REQUIRED SUPPLEMENTAL INFORMATION**

City of Fremont  
BUDGETARY COMPARISON SCHEDULE  
General Fund  
For the year ended June 30, 2005

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,860,900	\$ 1,858,868	\$ 1,860,859	\$ 1,991
Licenses and permits	34,000	34,000	45,959	11,959
Intergovernmental revenues				
Federal	-	9,258	9,258	-
State	429,500	429,500	429,792	292
Charges for services	426,600	430,600	476,421	45,821
Fines and forfeitures	19,500	25,500	42,220	16,720
Investment earnings	70,000	70,000	81,462	11,462
Other	164,350	164,350	221,208	56,858
Total revenues	<u>3,004,850</u>	<u>3,022,076</u>	<u>3,167,179</u>	<u>145,103</u>
EXPENDITURES				
Current				
General government				
Legislative	15,500	15,500	11,384	4,116
Executive	86,400	86,400	84,273	2,127
Elections	5,800	9,800	9,453	347
General administration	4,000	4,000	3,356	644
Clerk	89,900	97,363	97,842	(479)
Treasurer	53,300	53,300	53,639	(339)
Board of review	800	800	915	(115)
Assessor	42,000	142,000	124,296	17,704
Cemetery	80,000	85,000	84,255	745
Attorney	25,000	15,000	14,429	571
Building and grounds	92,500	92,500	104,404	(11,904)
Public relations	31,800	23,800	23,047	753
Public safety				
Police department	554,100	562,422	564,273	(1,851)
Fire department	221,700	221,700	235,897	(14,197)
Public works				
Street lighting and sidewalks	355,500	340,500	332,118	8,382
Sanitation	192,500	200,500	201,002	(502)
Community and economic development				
Planning and zoning	106,000	133,193	121,463	11,730
Other	50,500	39,900	34,999	4,901
Culture and recreation				
Parks and recreation	149,500	144,500	118,219	26,281
Other governmental functions				
Employee fringe benefits and other items	600,090	591,690	533,571	58,119
Airport operations	36,800	36,800	45,760	(8,960)
Parking systems	15,700	15,700	12,271	3,429
Debt service				
Principal	26,000	26,000	23,775	2,225
Interest and fees	8,465	8,465	5,718	2,747
Capital outlay	<u>217,500</u>	<u>222,844</u>	<u>178,686</u>	<u>44,158</u>
Total expenditures	<u>3,061,355</u>	<u>3,169,677</u>	<u>3,019,045</u>	<u>150,632</u>
Excess of revenues over (under) expenditures	(56,505)	(147,601)	148,134	295,735
OTHER FINANCING SOURCES (USES)				
Transfers in	33,000	33,000	31,063	(1,937)
Transfers out	<u>(311,900)</u>	<u>(355,370)</u>	<u>(319,120)</u>	<u>36,250</u>
Total other financing sources (uses)	<u>(278,900)</u>	<u>(322,370)</u>	<u>(288,057)</u>	<u>34,313</u>
Net change in fund balance	\$ <u>(335,405)</u>	\$ <u>(469,971)</u>	(139,923)	\$ <u>330,048</u>
Fund balance at July 1, 2004			<u>1,396,349</u>	
Fund balance at June 30, 2005			\$ <u>1,256,426</u>	

City of Fremont  
**BUDGETARY COMPARISON SCHEDULE**  
Major Streets Fund  
For the year ended June 30, 2005

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues - state	\$ 267,000	\$ 267,000	\$ 286,053	\$ 19,053
Investment earnings	5,000	5,000	14,000	9,000
Other	50,000	56,520	81,707	25,187
Total revenues	<u>322,000</u>	<u>328,520</u>	<u>381,760</u>	<u>53,240</u>
EXPENDITURES				
Current				
Public works	<u>117,200</u>	<u>163,720</u>	<u>159,518</u>	<u>4,202</u>
Excess of revenues over (under) expenditures	204,800	164,800	222,242	57,442
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of long-term debt	1,180,000	-	-	-
Transfers out	<u>(1,349,750)</u>	<u>(169,750)</u>	<u>(148,494)</u>	<u>21,256</u>
Total other financing sources (uses)	<u>(169,750)</u>	<u>(169,750)</u>	<u>(148,494)</u>	<u>21,256</u>
Net change in fund balance	<u>\$ 35,050</u>	<u>\$ (4,950)</u>	73,748	<u>\$ 78,698</u>
Fund balance at July 1, 2004			<u>416,104</u>	
Fund balance at June 30, 2005			<u>\$ 489,852</u>	

City of Fremont  
**BUDGETARY COMPARISON SCHEDULE**  
 Local Improvement Fund  
 For the year ended June 30, 2005

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 17,965	\$ 17,965	\$ 24,529	\$ 6,564
Other	16,000	16,000	74,417	58,417
Total revenues	33,965	33,965	98,946	64,981
OTHER FINANCING USES				
Transfers out	(186,000)	(186,000)	(66,066)	119,934
Net change in fund balance	\$ (152,035)	\$ (152,035)	32,880	\$ 184,915
Fund balance at July 1, 2004			714,645	
Fund balance at June 30, 2005			\$ 747,525	

## **OTHER SUPPLEMENTAL INFORMATION**

City of Fremont  
**BALANCE SHEET**  
Other Governmental Funds  
June 30, 2005

	Total other governmental funds	Special Revenue Funds		Debt Service Fund	Permanent Fund Cemetery Perpetual Care
		Local Streets	Arboretum Park	Building Authority	
ASSETS					
Cash and investments	\$ 472,838	\$ 174,549	\$ 1,358	\$ 25,822	\$ 271,109
Due from other governmental units	<u>29,652</u>	<u>29,652</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 502,490</u>	<u>\$ 204,201</u>	<u>\$ 1,358</u>	<u>\$ 25,822</u>	<u>\$ 271,109</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued liabilities	\$ 1,533	\$ 1,533	\$ -	\$ -	\$ -
Fund balances					
Reserved for:					
Perpetual care	271,109	-	-	-	271,109
Debt service	25,822	-	-	25,822	-
Unreserved					
Undesignated	<u>204,026</u>	<u>202,668</u>	<u>1,358</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>500,957</u>	<u>202,668</u>	<u>1,358</u>	<u>25,822</u>	<u>271,109</u>
Total liabilities and fund balances	<u>\$ 502,490</u>	<u>\$ 204,201</u>	<u>\$ 1,358</u>	<u>\$ 25,822</u>	<u>\$ 271,109</u>

City of Fremont  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Other Governmental Funds  
For the year ended June 30, 2005

	Total other governmental funds	Special Revenue Funds		Service Fund	Permanent Fund
		Local Streets	Arboretum Park	Building Authority	Cemetery Perpetual Care
REVENUES					
Intergovernmental revenues					
State	\$ 102,870	\$ 102,870	\$ -	\$ -	\$ -
Local	225,305	-	23,793	201,512	-
Charges for services	15,475	-	-	-	15,475
Investment earnings	14,924	5,670	39	1,332	7,883
Total revenues	358,574	108,540	23,832	202,844	23,358
EXPENDITURES					
Current					
Public works	81,201	81,201	-	-	-
Debt service					
Principal	175,000	-	-	175,000	-
Interest and fees	26,063	-	-	26,063	-
Total expenditures	282,264	81,201	-	201,063	-
Excess of revenues over (under) expenditures	76,310	27,339	23,832	1,781	23,358
OTHER FINANCING SOURCES (USES)					
Transfers in	123,750	123,750	-	-	-
Transfers out	(161,063)	(130,000)	(23,793)	-	(7,270)
Total other financing sources (uses)	(37,313)	(6,250)	(23,793)	-	(7,270)
Net change in fund balances	38,997	21,089	39	1,781	16,088
Fund balances at July 1, 2004	461,960	181,579	1,319	24,041	255,021
Fund balances at June 30, 2005	\$ 500,957	\$ 202,668	\$ 1,358	\$ 25,822	\$ 271,109



City of Fremont

**SINGLE AUDIT OF FEDERAL  
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and  
Independent Auditors' Reports

June 30, 2005

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# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 28, 2005

City Council  
City of Fremont  
Fremont, Michigan

We have audited the financial statements of City of Fremont as of and for the year ended June 30, 2005 and have issued our report thereon dated September 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered City of Fremont's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### ***Compliance***

As part of obtaining reasonable assurance about whether City of Fremont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

BRICKLEY DELONG

City Council  
September 28, 2005  
Page 2

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Brickley DeLong, PLC*

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 28, 2005

City Council  
City of Fremont  
Fremont, Michigan

### *Compliance*

We have audited the compliance of City of Fremont with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. City of Fremont's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of City of Fremont's management. Our responsibility is to express an opinion on City of Fremont's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Fremont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Fremont's compliance with those requirements.

In our opinion, City of Fremont complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

City Council  
September 28, 2005  
Page 2

***Internal Control Over Compliance***

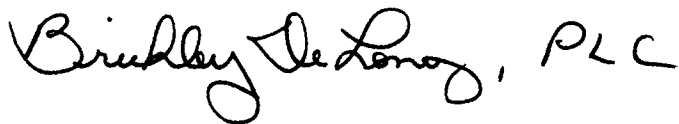
The management of City of Fremont is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Fremont's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of City of Fremont as of and for the year ended June 30, 2005 and have issued our report thereon dated September 28, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Brickley DeLong, PLC in cursive script.

City of Fremont  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2005

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2004	Cash or payments in kind received (cash basis)	Amount of grant expenditures	Accrued (deferred) revenue June 30, 2005	Adjustments	Note
<b><i>U.S. Department of Transportation, Federal Aviation Administration</i></b>								
Passed through Michigan Department of Transportation								
Airport Improvement Program	20.106							
Proj B-26-0035-0704 Contract 2004-0262		\$ 63,000	\$ 63,000	\$ -	\$ -	\$ 58,508	\$ (4,492)	2, 3
Proj B-26-0035-0501 Contract 2003-0351		157,500	-	95,398	152,800	57,402	-	2
Proj B-26-0035-0602 Contract 2004-0165		875,700	-	875,700	875,700	-	-	2
Total U.S. Department of Transportation, Federal Aviation Administration		1,096,200	63,000	971,098	1,028,500	115,910	(4,492)	
<b><i>U.S. Department of Homeland Security</i></b>								
Direct programs								
Assistance to Firefighters Grant Program	83.554							
EMW-2003-FG-04300		85,275	-	9,258	9,258	-	-	
<b>TOTAL FEDERAL ASSISTANCE</b>		<b>\$ 1,181,475</b>	<b>\$ 63,000</b>	<b>\$ 980,356</b>	<b>\$ 1,037,758</b>	<b>\$ 115,910</b>	<b>\$ (4,492)</b>	

**Notes:**

- See the notes to the financial statements for significant accounting policies used in preparing this schedule.
- These programs are administered by the Michigan Department of Transportation (MDOT) and federal compliance reports of these programs are included in the single audit of MDOT.
- The amount of the prior year receivable was reduced from \$63,000 to \$58,508 as a result of a refund from a contractor.

City of Fremont  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended June 30, 2005

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Fremont.
2. *No* reportable conditions in internal control were disclosed by the audit of the financial statements.
3. *No* instances of noncompliance material to the financial statements of City of Fremont were disclosed during the audit.
4. *No* reportable conditions in internal control were disclosed by the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award programs for City of Fremont expresses an unqualified opinion.
6. There were *no* audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was:

<u>Name</u>	<u>CFDA Number</u>
<i>U.S. Department of Transportation</i> Airport Improvement Program	20.106

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Fremont was not determined to be a low-risk auditee.

**B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

NONE

**C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT**

NONE



## **SUPPLEMENTAL INFORMATION**

# BRICKLEY DELONG

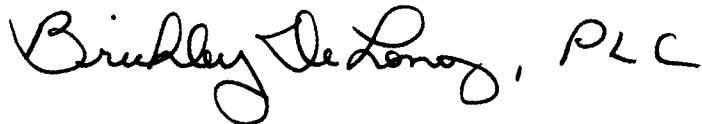
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

September 28, 2005

City Council  
City of Fremont  
Fremont, Michigan

We have audited the financial statements of City of Fremont as of and for the year ended June 30, 2005 and have issued our report thereon dated September 28, 2005. Our audit was made primarily for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information presented on page 11 is provided for purposes of additional analysis and is not a required part of the financial statements or the accompanying Schedule of Expenditures of Federal Awards. Such supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements of City of Fremont and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

City of Fremont  
**SCHEDULE OF RECONCILIATION OF REVENUES FROM FEDERAL SOURCES  
PER FINANCIAL STATEMENTS AND EXPENDITURES PER SINGLE AUDIT  
REPORT SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year ended June 30, 2005

The following is a reconciliation of federal revenues as reported on page 7 of the City of Fremont financial statements for the year ended June 30, 2005 and federal expenditures per the Schedule of Expenditures of Federal Awards on page 7 of this single audit report.

Federal revenues per City of Fremont financial statements  
for the year ended June 30, 2005 (page 7)

General Fund	\$ 9,258
Other governmental funds	<u>1,028,500</u>

Federal assistance expenditures and operating transfers out per  
Schedule of Expenditures of Federal Awards (page 7)

\$ <u><u>1,037,758</u></u>
----------------------------

## **CLIENT DOCUMENTS**

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 28, 2005

U.S. Department of Homeland Security  
Washington D.C.

City of Fremont respectfully advises you that there were ***no*** audit findings or questioned costs reported in our single audit report, dated October 19, 2004, for the year ended June 30, 2004.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd M. Blake". The signature is fluid and cursive, with a large initial "T" and a stylized "B".

Todd Blake  
City Clerk/Finance Director

## CORRECTIVE ACTION PLAN

September 28, 2005

U.S. Department of Homeland Security  
Washington D.C.

City of Fremont respectfully submits the following Corrective Action Plan for the year ended June 30, 2005.

Name and address of independent public accounting firm:

Brickley DeLong, PLC  
P.O. Box 999  
Muskegon, Michigan 49443

Audit period: June 30, 2005

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2005 provided **no** findings in either Section B or Section C. Accordingly, there are **no** matters requiring corrective action as shown below.

### **B. FINDINGS—FINANCIAL STATEMENT AUDIT**

There were **no** compliance findings and **no** reportable conditions.

### **C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS**

There were **no** compliance findings and **no** reportable conditions in relation to the major federal award programs.

If the U.S. Department of Homeland Security has questions regarding this plan, please call Todd Blake at (231) 924-2101.

Sincerely,



Todd Blake  
City Clerk/Finance Director